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C O N F I D E N T I A L SECTION 01 OF 03 DUBLIN 000107

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SUBJECT: PRIME MINISTER AHERN'S TRIP TO CHINA NETS DEALS
FOR IRELAND

Classified By: Political-Economic Counselor Mary E. Daly; Reasons 1.4 (B) and (D).

¶11. (C) Summary: The January 17-21 visit to China of Ireland's largest ever trade delegation advanced the GOI's "Asia Strategy" of raising Ireland's commercial profile in the Pacific region, though the extent to which Prime Minister Ahern used the opportunity to press Beijing on human rights remains unclear. The trade mission boosted bilateral trade, which has grown 170 percent since 1999, and aimed to spur Chinese investment in Ireland, which is minuscule due to high Irish business costs. University links were also a significant focus of the visit, mainly for their potential to raise funds for Ireland's cash-starved higher education sector through increases in the Chinese student population. Irish Foreign Affairs officials disagreed with press reports that Prime Minister Ahern had been soft on human rights and on the proposed lifting of the EU arms embargo against China, noting that Ahern had been stronger in private sessions with Chinese counterparts. The officials added that Chinese comments on the embargo suggested that larger EU Member States had been making promises to Beijing on the issue. Notwithstanding these officials' comments, Post continues to doubt that Ireland would be prepared to fight EU consensus on the ban's removal, just as we suspect that Ahern was not prepared to jeopardize the success of Ireland's largest ever trade mission with pointed messages on human rights. End summary.

¶12. (U) Ireland's largest ever official trade delegation returned home the weekend of January 21 after a successful week-long visit to Beijing, Shanghai, and Hong Kong. Led by Prime Minister Bertie Ahern, the 300 person-strong delegation consisted of representatives from 121 Irish firms, 7 universities, a host of technology institutes and English language schools. Four Cabinet members also took part: Agriculture Minister Mary Coughlan, Enterprise Minister Michael Martin, Education Minister Mary Hanafin, and Communications Minister Noel Dempsey. Reportedly, agreements worth more than euro 125 million were signed, including, most notably, a deal by agri-business giant Kerry Group to acquire Hangzhou-based foods company, Lanli, and a commitment by property developer Treasury Holdings to build a housing/office/leisure complex on Chongming island near Shanghai. The visit reciprocated trips to Ireland by Premier Wen Jiabao in 2003 and Vice Premier Huang Ju in 2004, and Prime Minister Ahern met with Wen, President Hu Jintao, and National People's Congress Chairman Wu Bangguo while in Beijing. During discussions with Ahern, President Hu committed to visit Ireland in late 2005. On January 26, moreover, Vice Foreign Minister Zhang Zhijun arrived in Dublin for an immediate follow-up to the Irish visit.

The GOI's Asia Strategy

¶13. (SBU) The trade delegation was central to the GOI's "Asia Strategy," which Prime Minister Ahern had launched after his first visit to China in 1998, according to Geoffrey Keating, Department of Foreign Affairs (DFA) Counselor for Bilateral Economic Relations, who participated in the trade mission and spoke with econoff afterward. Keating said that the Strategy, as outlined in a 1999 government white paper, aimed to raise Ireland's profile in Asia and to help Irish firms exploit commercial opportunities afforded by Asia's economic rise, particularly in China. In line with the Strategy, Deputy Prime Minister Mary Harney had led sizable trade delegations to China in 2002 and to Japan in 2003. Keating noted that Irish-Chinese economic relations had benefited from this outreach, with 250 Irish firms now doing business in China and two-way trade having increased 170 percent since 1999 and 40 percent since 2003. (In the first 11 months of 2004, Chinese exports to Ireland stood at euro 2.3 billion, while Irish exports to China were euro 577 million; indigenous Irish firms, as opposed to Irish-based foreign multinationals, only accounted for euro 43.2 million of Irish exports to China.) Keating added that, following the delegation's visit last week, Ireland's Department of Enterprise, Trade, and Employment (DETE) had been tasked to update the Asia Strategy paper, looking ahead to 2010.

¶14. (SBU) The Irish trade delegation's visit also had the aim of spurring Chinese investment in Ireland, which at the moment was minuscule, econoff was told by Zhu Meidao, Chinese

Embassy Economic/Commercial Counselor in Dublin. Zhu said that larger Chinese firms were intrigued by the success of U.S. companies in Ireland (whose investment stock in the country is valued at USD 55 billion, roughly five times the U.S. investment stock in China), and he cited Prime Minister Ahern's statements in Beijing about Ireland's attractiveness as a base for EU-focused operations. He cautioned, however, that rising wages and other production costs in Ireland were a disincentive to investment by Chinese firms. Zhu recalled, for example, that China's largest construction firm, Zhongjian Gongcheng Gongs, had come to Ireland in 2002 at Deputy Prime Minister Harney's invitation to take part in an urban infrastructure project, only to pull out within a year due to cost overruns. One promising possibility, according to Zhu, was Chinese investment in the Shannon Free (Trade) Zone, whose authorities conducted briefings as part of the trade mission. He explained that China knew well the corporate tax advantages and other investment incentives offered by Shannon, as former President Jiang Zemin had visited the area in 1980 and had brought back ideas that were later incorporated in China's Special Economic Zones in Shenzhen and Guangzhou.

Promoting the Business of Education

15. (U) University relationships were a significant focus of the mission, particularly from the perspective of education as business, econoff was told by Frank O'Conor, International Education Manager of Enterprise Ireland, the business-promotion agency that organized the delegation. O'Conor noted that 15 education-related agreements were reached, including, most critically, a protocol signed by Education Minister Mary Hanafin and her Chinese counterpart, Zhou Ji, on mutual recognition of higher education qualifications. O'Conor said the protocol would underpin Enterprise Ireland's goal of tripling by 2008 the university-level Chinese student population in Ireland, which now stands at roughly 2,900. (An estimated additional 29,000 Chinese students are enrolled at English language schools that are not part of the university system. The GOI and Chinese Embassy are uncertain as to that number, however, since Ireland does not track departures from the country.) O'Conor noted that Chinese university students currently pay euro 8,000 to 15,000 per year in tuition and that a tripling of this student population would make more funds available to the cash-starved higher education system. (Irish students are exempted from paying university fees, a serious resource constraint on state-funded Irish education.) He added that an increase in Chinese students would be a critical piece of Enterprise Ireland's effort to double the total revenue generated by foreign students to euro 600 million by 2008.

16. (C) Ironically, Minister Hanfin had to contend with complaints from English language schools' representatives within the delegation about new student visa restrictions, said the DFA's Geoffrey Keating. He noted that Ireland's Department of Justice (DOJ) announced during Christams week that foreign students (who currently can work 20 up to hours a week and have been a boon to Ireland's low-end services sector) would be forbidden to work unless they were enrolled in a course lasting longer than one year. The new regulation targeted a number of bogus language schools that were providing visa application materials to Chinese who primarily intended to work in Ireland. The language schools, observed Keating, had protested the regulation, claiming that it would seriously reduce their Chinese student populations, which had quintupled since 2000. He added that the DOJ had not sufficiently consulted inter-agency before "springing" the regulation and that a thorough government review would be conducted before the regulation's scheduled enactment in April. Chinese Commercial Counselor Zhu told econoff that the Chinese Embassy had not opposed the regulation, but had voiced concerns about the impact on Chinese students' ability to pay living expenses in one of the EU's most expensive countries. Zhu pointed out that more than 90 percent of Ireland's Chinese students were from the northeastern Liaoning and Shenyang provinces, where economic conditions were less favorable than in Beijing and along China's coast.

The EU Arms Embargo and Human Rights

17. (C) Irish newspapers reported Prime Minister Ahern as saying that the lifting of the EU arms embargo against China was inevitable and that Ireland was aware of China's desire to end the embargo as a matter of respect and equal treatment. Cliona Manahan, DFA's Political Division Counselor for Asia and a participant in the Prime Minister's discussions with Premier Wen Jiabao on the arms embargo, told econoff that media reports had not reflected the balance in Ahern's comments. Ahern, she recalled, had told Wen that "there was still work to be done on the embargo issue," both in terms of the Chinese delivering on human rights and the EU finalizing an acceptable Code of Conduct. Manahan said the discussions had strengthened her earlier impression that

larger EU Member States had complicated the issue by making promises to the Chinese Government about the embargo. She remarked that Ireland knew the implications that the arms embargo posed for U.S.-EU relations; China also understood the agitation that the issue had created among East Asian neighbors. She added that Ireland had no intention of selling weapons to China even if the ban were lifted, consistent with Ireland's position against arms trading in general.

18. (C) Manahan also disagreed with media comments, including by the local Amnesty International office, that Ahern had soft-pedaled human rights in order to secure contracts for delegation members. (The comments were prompted by an Irish Times report that Ahern had said Ireland could not take a stronger line with China on human rights than had been taken by larger EU Member States.) Manahan pointed out that journalists had not been privy to the discussions on human rights, which, she added, were free-flowing, forthright, and focused on individual cases. She noted that the discussions had benefited from the fact that the Irish government officials involved were well known to their Chinese counterparts, with Ireland having led the EU-China Human Rights Dialogue as EU president in 2004. According to Manahan, the Irish side had been clear about the drift in China's commitment to deliver on human rights, and Ahern had asked his interlocutors to expend more energy on this front. She remarked that the EU-China Human Rights Dialogue, now in its eleventh year, remained the best tool for Member States to convey their collective concerns to Beijing.

Comment: Ireland's Opaqueness on China and Human Rights

19. (C) Manahan's read-out notwithstanding, the Irish DFA has been cagey with Post in past conversations as to Ireland's exact position on the lifting of the EU arms embargo. For example, although DFA officials have noted the need for an acceptable Code of Conduct and for Chinese progress on human rights, they have consistently avoided our direct questions on whether Ireland opposed lifting the ban in the current circumstances. Similarly, econoff asked Manahan several times about the accuracy of reports that Ahern had used the word "inevitable" in discussions on lifting the ban, but she repeatedly deflected the question. We continue to doubt that Ireland would be prepared to fight EU consensus on the ban's removal, just as we suspect that Ahern was unwilling to jeopardize the success of Ireland's largest ever trade mission with pointed messages on human rights. The broad-based trade, diplomatic, education, and cultural links that the trade mission helped to advance, however, should give more weight to whatever future messages the Irish leadership might deliver to Beijing on human rights.

KENNY